

LINN-MAR COMMUNITY SCHOOL DISTRICT

Marion, Iowa



Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2004**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
LINN-MAR COMMUNITY SCHOOL DISTRICT
Fiscal Year Ended June 30, 2004**



Prepared by:

**David Nicholson
Business Administrator, Board Secretary,
Board Treasurer**

**3333 North 10th Street
Marion, Iowa 52302**

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Introductory Section



December 20, 2004

Mr. James Green, President
and Members of the Board of Education
Linn-Mar Community School District
Marion, Iowa

We are proud to submit to you the Comprehensive Annual Financial Report of the Linn-Mar Community School District for the year ending June 30, 2004. This report has been prepared to conform to the guidelines recommended by the Association of School Business Officials International.

MANAGEMENT RESPONSIBILITY

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the governmental activities, business-type activities, each major fund, and aggregate of the remaining funds of the District in accordance with generally accepted accounting principles (GAAP). It includes all funds and account groups of the entire District. The District is not included in any other reporting entity, nor are other entities included within this report. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

CAFR

The 2004 Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Internal Controls and Compliance.

Introductory Section- This section includes a transmittal letter, economic outlook of the community, the District's accomplishments, the District's Team Leadership Network and a list of the Board of Directors and District Officials.

Financial Section- The School District's financial statements and schedules are presented in accordance with the financial reporting pyramid set forth by the Governmental Accounting Standards Board. This section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), audited basic financial statements, required supplementary information, and combining and individual fund statements and schedules.

Statistical Section- This section includes selective unaudited financial, economic and demographic information, generally presented on a multi-year basis.

Internal Controls and Compliance Section- This section contains the auditor's reports on the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. This section also contains all necessary schedules and auditor's reports required for the District to comply with these regulations.

Linn-Mar Community School District

This report includes all funds of Linn-Mar Community School District. The District provides a full range of services including instructional, administrative, transportation, food service, maintenance of sites and facilities, clerical, and co-curricular.

The District is governed by a seven-member elected Board of Education who serve staggered terms of three years. The Board of Directors is a policy-making and planning body whose decisions are carried out by school administrators.

The Linn-Mar Community School District is located in Linn County in east central Iowa. The District includes portions of Cities of Cedar Rapids, Marion, and Robins, as well as unincorporated land in northern Linn County. The District originated in 1948 as Marion Rural Independent School District, and became originated as the Marion Rural Community School District under the Community School Reorganization Act adopted in 1955. It operated under this name from 1955 to 1963. The District is currently the 12th largest of Iowa's 371 public school systems. The certified enrollment taken on the third Friday of September, 2003, was approximately 5413 students. The District operates one High School, one Middle School, one PK-8 School, and five elementary schools. The District provides a full range of educational services appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for students at-risk and for limited English speaking students

In addition to a strong PK-12 educational program, we work with our local community college to offer learning opportunities for the adults in our community with our community education program.

The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue received for tuition and other services.

Economic Condition and Outlook

Linn-Mar Community School District is located in the Cedar Rapids Metropolitan area. The District covers 63 square miles and encompasses the outer edges of the city of Marion and the NE portion of city of Cedar Rapids. The Cedar Rapids metropolitan area is home to numerous Fortune 500 companies, one of which is located in Linn-Mar's District boundaries.

Rockwell Collins, a Fortune 500 company, is the largest employer not only in the Linn-Mar District but in the Cedar Rapids metro area. Rockwell Collins produces advanced communications and aviation electronics for both the government and commercial customers. The company is a leading supplier of commercial and military aviation electronics and communications systems.

Rockwell Collins not unlike other companies in the airline industry, was affected by the tragic events of 9-11 and was forced to cut back on the number of employees. They have rebounded quite well and currently employ more than 6,700 people in the Greater Cedar Rapids metropolitan area and is looking at expanding. Rockwell Collins has been and will continue to have the state's largest technical workforce. Rockwell Collins also prides itself in the partnerships they have established with the local school districts in the area.

We have another Fortune 500 company coming to our District. Walmart will be opening a new Walmart Super Center. This will create approximately 350 to 400 new jobs and increase the assessed valuation of the district by approximately 10 million.

The greatest growth in our district is residential. In 2003, 253 new single-family dwelling building permits were issued at a valuation of \$26,452,966 in the city of Marion and 39 new multi-family dwelling units were issued at a valuation of \$17,736,558.

District Major Initiatives and Achievements

The 2003-2004 school year was both very challenging and productive for the Linn-Mar Community School District. With the support of staff, Board members, students, and community members, the District was able to accomplish many things this year:

- With the support of the students, community, staff and the Board of Education we were successfully able to open a new PK-8 school.
- Developed a new Mission Statement and goals for the District through a Strategic Planning process that included staff, students, community members and the Board of Education.
- Many staff members received local, regional, state and national recognition from various professional and community organizations for their dedicated work in educating our youth.
- Recorded 20,058 volunteer hours with 754 volunteers in the District. Increased the number of relationships with business in the metropolitan area.
- Expanded the District's assessment with the addition of Northwest Education Association measure of academic progress (NWEA MAP) testing.

All of the dedicated work that went in to these initiatives and achievements had one main focus: supporting the learning of our students. For the 2003-2004 school year, our students as a group continued to perform outstandingly. Following are a few indicators:

- Students achieved the primary goal of one year of growth for each grade span in reading, math and science as measured on the ITBS standardized test.
- Students scored better than the NWEA norm on the NWEA MAP Test but failed to out-perform the NWEA norm group in the growth from fall to spring testing.
- Our Students out-performed the state and nation the past number of years in the content areas of reading, math, and science.

- Linn-Mar students continue to score higher than both the state and national averages of students that complete the ACT assessment. A score of 20 or higher on the ACT test is a general indicator of potential post-secondary success. The percentage of Linn-Mar students that scored 20 or higher during the 2003-2004 school year was 78%.

Individual students or teams received state and/or national recognition in variety of academic and co-curricular competitions, including Linn-Mar Robotics, Boys Basketball, Pom Poms, Softball, Boys Soccer, a presidential scholar and instrumental and vocal music.

Internal Controls

Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state and local financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. As a part of the District's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards programs, as well as to determine that the District has complied with applicable laws and regulations.

Budgetary Controls

In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties, the District prepares a more detailed budget for each fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Annually, the District's Board of Education adopts a budget and approves the appropriations for the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund in accordance with provisions outlined in the Statutes of the State of Iowa. The budget is prepared according to generally accepted accounting principles and lists estimates of revenues and expenditures/expenses.

Cash Management

The District, in an effort to be a good manager of public funds, is continuously looking for investment opportunities that comply with the District's investment policy. The current goals of the District investments in order of priority are:

- To provide safety of the principal;
- To maintain the necessary liquidity to match expected liabilities; and
- To obtain a reasonable rate of return.

To maximize investment return, the District invested in money market deposits, savings accounts and Iowa Schools Joint Investment Trust. Interest revenue of \$96,199 was earned on all investments for the current year ended June 30, 2004, a decrease of \$389,448 from Fiscal Year 2003. This decrease is mainly due to the spending down of the capital project fund with the construction of the new PK-8 school.

Risk Management

The District currently covers property, liability and workers' compensation losses with traditional insurance coverage through the Iowa Associations of School Board's group plan carried by Employer's Mutual Insurance Company.

Independent Audit

State law and District policy require an annual audit to be made of the books of account, financial records and transactions of all funds of the District by a Certified Public Accountant selected by the Board of Directors of the District. We have complied with this requirement. The reports of our independent auditors, Hunt, Kain and Associates, P.C., appear in this report. Their audit of the basic financial statements was performed in accordance with the code of Iowa, generally accepted auditing standards and requirements of the 1996 Amendment to the Single Audit Act, and related OMB Circular A-133. The auditor's report on the basic financial statements and combining and individual fund statements is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in a separate section for internal controls and compliance.

Certificate of Excellence in Financial Reporting

The Association of School Business Officials International (ASBO), awards a Certificate of Excellence in Financial Reporting. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of government financial reports

In order to be eligible to receive the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

This Certificate is valid for a period of one year only. Though this is our first CAFR, we feel that we have compiled a CAFR that conforms to all the requirements for the Certificate of Excellence and, therefore, we are submitting it to ASBO to determine its eligibility for the Certificate.

Acknowledgements

The publication of this report is a major step toward the commitment to professionalism in financial reporting and significantly increases the accountability of the District to the taxpayers. This would not have been possible without the help of several people. We would like to express our appreciation to all District, City and County employees who assisted in the preparation of this report.

Finally, sincere appreciation is extended to the Board of Education, where commitment to excellence begins. It is with great pleasure that our very first Comprehensive Annual Financial Report is submitted to the Board of Education.

David L. Nicholson
Business Administrator
Board Secretary/Treasurer

Dr. Kathleen Mulholland
Superintendent of Schools

chart

LINN-MAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Erik Miles	President	2003
Jim Green	Vice President	2005
Bob Crawford	Board Member	2003
David Meyer	Board Member	2004
Lorna Richards	Board Member	2004
Ann Stark	Board Member	2005
Helen Romanowsky	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Jim Green	President	2005
Bob Crawford	Vice President	2006
David Meyer	Board Member	2004
Lorna Richards	Board Member	2004
Ann Stark	Board Member	2005
Helen Romanowsky	Board Member	2005
Erik Miles	Board Member	2006
<u>School Officials</u>		
Dr. Katie Mulholland	Superintendent	2007
David L. Nicholson	District Secretary/Treasurer	2004
Terry Abernathy	Attorney	Indefinite

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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Linn-Mar Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Linn-Mar Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Linn-Mar Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 21, 2004 on our consideration of Linn-Mar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 20 through 31 and 68 through 69 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Linn-Mar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, and, on pages 110 and 111, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical information listed in the table of contents is not necessary for a fair presentation of the basic financial statements, but is presented as additional analytical data. This information is unaudited and we do not express an opinion on it.

Oskaloosa, Iowa
September 21, 2004

Management Discussion and Analysis

This section of the Linn-Mar Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The State of Iowa allowed a 2% growth for the 2003-04 school year.
- The General Fund ending undesignated unreserved fund balance decreased from \$3.8 million in fiscal year 2003 to \$2.4 million in fiscal year 2004. This equates to a 6.14% solvency ratio.
- Interest rates continued their decline from a public fund investment rate of 1.40% in June, 2003 to a rate of .7856% in June, 2004, this being responsible for interest earnings in the General Fund to drop from \$84,809 in fiscal year 2003 to \$51,021 in fiscal year 2004.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

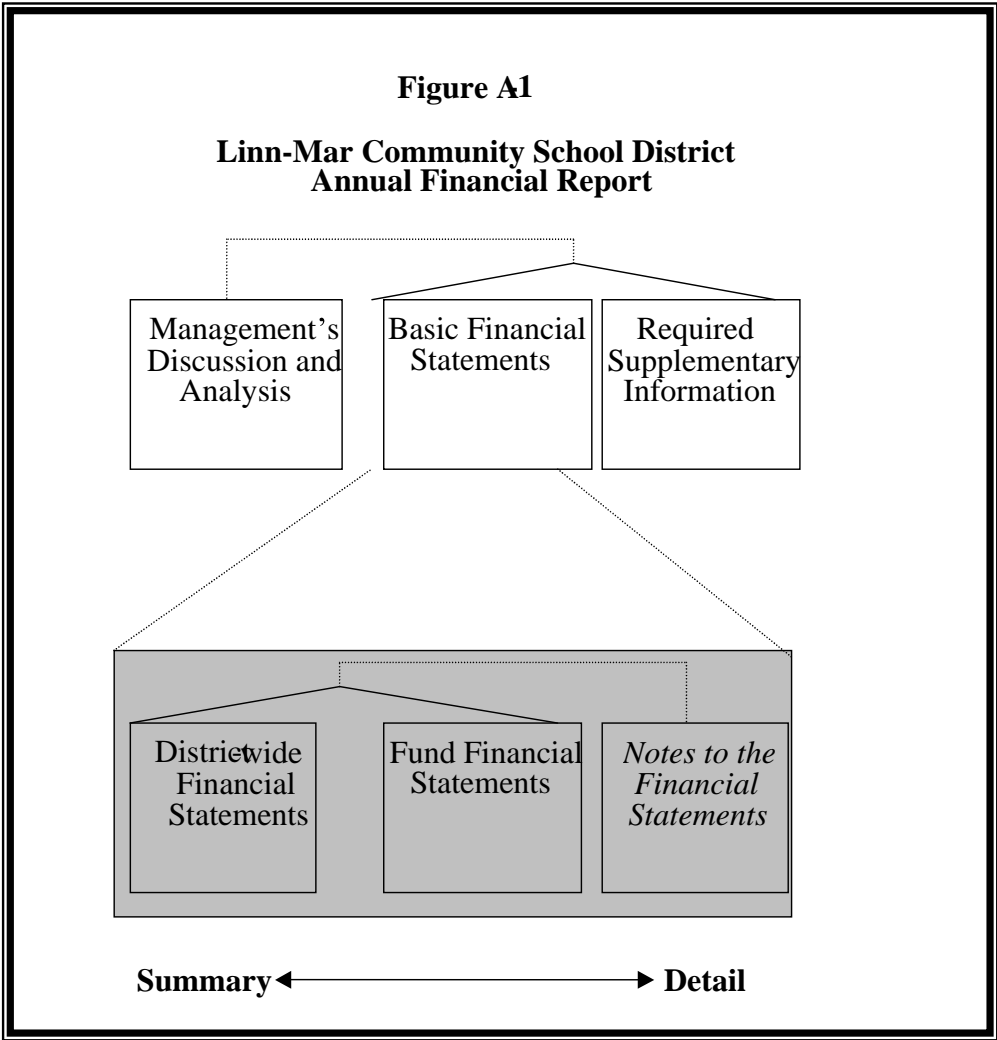


Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues, (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund for the employees' flexible benefits payroll plan.

Financial Analysis of the District as a Whole

The district's combined net assets were slightly larger on June 30, 2004, than they were the year before, increasing only 1.05% or approximately \$220,000 dollars. (See Figure A-3) Even though the total assets increased by approximately \$370,000, current and other assets went down by approximately \$1 million dollars. Most of this decline can be attributed to using the district reserves to help offset the initial cost of opening of a new building. The reduction on current and other assets that the District experienced during the 2003-2004 school year was totally offset by a greater increase in capital assets.

Figure A-3							
Condensed Statement of Net Assets (in millions of dollars)							
	Governmental		Business-type		Total		
	Activities		Activities		School District		Percentage
	2003	2004	2003	2004	2003	2004	Change
							2003-2004
Current and other assets	\$30.58	\$29.60	\$.21	\$.21	\$30.79	\$29.81	-3.18%
Capital Assets	53.05	54.31	.17	.25	53.22	54.56	2.52%
Total Assets	83.63	83.91	.38	.46	84.01	84.37	.43%
Long-term obligations	39.74	38.20			39.74	38.20	-3.88%
Other liabilities	23.12	24.79	.10	.11	23.22	24.90	7.24%
Total liabilities	62.86	62.99	.10	.11	62.96	63.10	.22%
Net assets:							
Investment in capital assets, net of related debt	12.34	17.77	.17	.25	12.51	18.02	44.04%
Restricted	1.88	1.85			1.88	1.85	-1.59%
Unrestricted	6.55	1.30	.11	.10	6.66	1.40	-78.98%
Total net assets	20.77	20.92	.28	.35	21.05	21.27	1.05%

Changes In Net Assets as shown in Figure A-4 below, shows that the District as a whole experienced a 3.11% increase in operating revenues. Property taxes and unrestricted state grants account for most of the district's revenue, with each contributing approximately 43% and 38% respectively of the total dollars raised. (See Figure A-5.)

The total cost for all programs and services rose 10.75 percent to \$43.59 million. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (69%), are devoted to direct Instruction and Student and Instructional services. Another 3% is spent on transporting our students safely to and from school and on extra curricular events. Of the 10.75% increase, or \$4.23 million, approximately \$1.63 million was directly related to negotiated salary increases for teachers and additional teachers and other instructional staff needed for the new PK-8 building in the District. Operation and maintenance of plant services increase by approximately \$455,000 over fiscal year end 2003. This was due to the need to hire additional custodians for the new school and the higher utility cost with the addition of 101,000 square feet of learning space for our students.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2003-2004
	2003	2004	2003	2004	2003	2004	
Revenues:							
Program Revenues:							
Charges for Service	\$2.23	\$2.73	\$1.07	\$1.19	\$3.30	\$3.92	18.79%
Operating grants and contributions	3.41	3.21	.31	.39	3.72	3.60	-3.23%
Capital grants and contributions	.56	.66		.12	.56	.78	39.28%
General Revenues:							
Property tax	17.57	18.62			17.57	18.62	5.98%
Unrestricted state grants	16.37	16.74			16.37	16.74	2.26%
Other	.98	.16			.98	.16	-83.67%
Total Revenues	\$41.12	\$42.12	\$1.38	\$1.70	\$42.50	\$43.82	3.11%
Program expenses:							
Governmental activities:							
Instructional	23.39	25.01			23.39	25.01	6.93%
Support Services	10.25	11.71			10.25	11.71	14.24%
Non-instructional programs	.03	.03	1.36	1.62	1.39	1.65	18.70%
Other expenses	4.33	5.22			4.33	5.22	20.55%
Total expenses	38.00	41.97	1.36	1.62	39.36	43.59	10.75%
Changes in net assets	\$3.12	.15	\$0.02	.08	\$3.14	.23	-92.67%

Total Revenues for FY 04

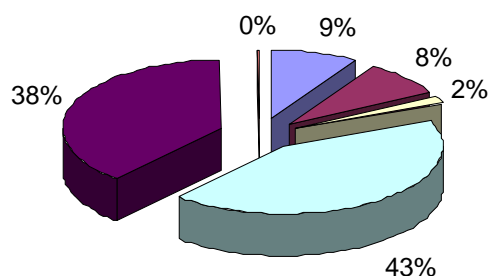
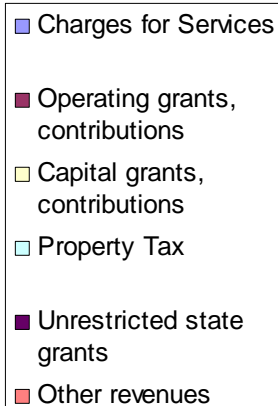
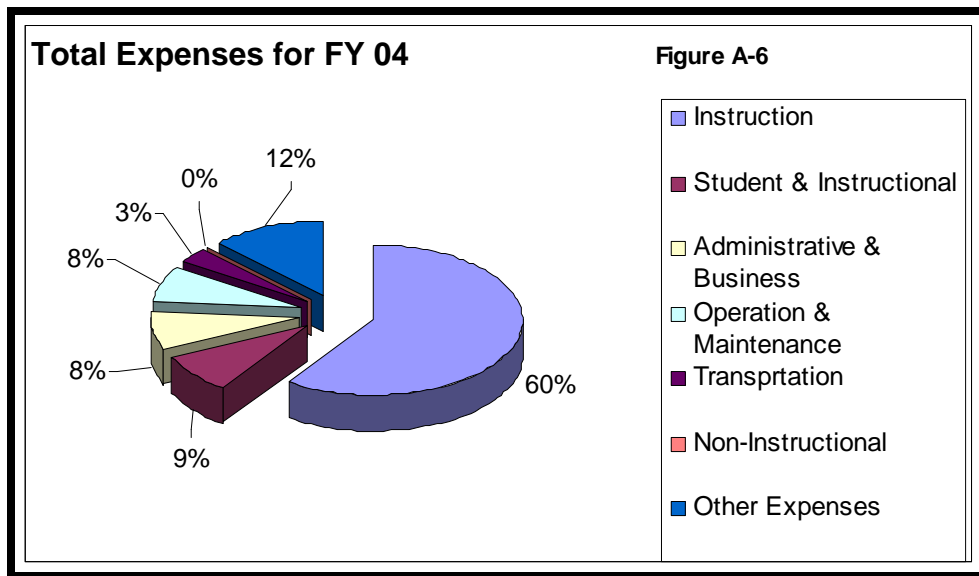


Figure A-5





Governmental Activities

Revenues for the District's governmental activities increased 2.43 percent, while expenses increased 10.45 percent. Even though the government expenditures percent increase far out weighed the governmental activities revenue percent increase, the over all net change in net assets was only roughly \$150,000. (See Figure A-4.) This can be attributed to the fact that in fiscal year 2003 the total governmental activity revenues collected exceeded the governmental expenditures by about \$3.12 million. This buffer in net assets realized in 2003 made the increase in governmental activity expenditures with a small increase in governmental activities revenue endurable.

The 3.97 million dollar increase in governmental activities expenditures are mainly due to the opening of a 101,000 square foot PK-8 school. With the addition of 16 teachers, the negotiated settlement, and additional educational supplies increase the instructional cost \$1.62 million over fiscal year 2003. Not only does an opening of a new school require additional teachers it really impacts support services. The support services expenditures increased \$1.46 million dollars. We had to add numerous support personal including but not limited to 7 custodians, a media specialist, a guidance counselor, a principal, and three secretarial and clerical support personnel.

Figure A-7 presents the cost of the four District activities: Instruction, Support Services, Non-Instructional Programs, and Other Expenditures. The table shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES
(EXPRESSED IN MILLIONS)

Figure A-7

	Total Cost of Services		Percentage Change 2003-2004	Net Cost of Services		Percentage Change 2003-2004
	2003	2004		2003	2004	
INSTRUCTION	\$ 23.39	\$ 25.01	6.92%	\$ 20.25	\$ 20.83	2.86%
SUPPORT SERVICES	10.25	11.71	14.24%	9.24	11.42	23.59%
NON-INSTRUCTIONAL PROGRAMS	.03	.03	0.00%	.03	.03	0.00%
OTHER EXPENDITURES	4.33	5.22	20.55%	2.28	3.09	35.52%
TOTALS	38.00	41.97	10.45%	31.80	35.37	11.22%

- The cost of all governmental activities this year was \$41.97 million.
- Some of the cost was financed by the users of the District's programs, (\$2.73 million).
- The federal and state governments subsidized certain programs with grants and contributions, (\$3.21 million).
- Most of the District's costs, (\$35.37 million), were financed by District and state taxpayers.
- This portion of governmental activities was financed primarily with \$18.62 million in property taxes, \$16.74 million in unrestricted state aid based in large part on the statewide education aid formula, and investment earnings.

Business-Type Activities

Revenues of the District's business-type activities grew 23.2 percent to \$1.70 million while expenses grew 19.1 percent to \$1.62 million. (Refer to Figure A-4.) At the present time, the only fund that comprises the business-type activities is the School Nutrition Fund. The revenues in the School Nutrition Fund can be broken down into three main categories charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District's net assets increased in the business-type activities by roughly \$ 76 thousand.

- With the addition of a new school at the start of the year and the great variety of meal offerings at the middle and high school increased the number of lunches served from 481,703 in fiscal year 2003 to 567,731 meals served in fiscal year 2004. This is a big reason why the revenues increase in 2004.
- The opening of a new school requires additional staff, equipment and supplies. The expenses went up from \$1.36 million in 2003 to 1.62 million in 2004.
- The impact of opening a new kitchen to the School Nutrition Fund was greatly reduced with the incorporation of the large kitchen equipment needed into the bond issue.

Financial Analysis of The District's Funds

At the end of fiscal year ended June 30, 2004, the District's governmental funds reported combined ending fund balances of \$5,002,699, a decrease of \$2,661,147 in comparison with the prior year. All but two of the district's governmental funds had more expenditures than revenues in 2004. Most significantly, the general fund had \$1.2 million more in expenditures than revenues. In 2003, the District in anticipation of the opening of a school the following year, budgeted to keep expenditures down. This allowed the District to provide the needed staff and materials for the new school and while maintaining a strong financial general fund position. The other fund that had a substantial drop in fund balance is the capital projects fund, one of the non major governmental funds. Its fund balance dropped from \$1.75 million to \$532,842. The only dollars that remained in the fund as of June 30, 2004 was basically the construction retainage.

The District's business-type fund did well financially. The School Nutrition fund was able to realize \$76,941 more in revenues than expenses. This was very unexpected with the opening of a new school. The 5 cent increase in lunch prices and the increase in the number of meals served was more than enough to offset the increase cost associated with another serving site.

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared according to U.S. generally accepted accounting principles. Over the course of the year, the District amended its annual operating budget one time to reflect higher than expected costs associated with instruction and supporting activities. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 68 and 69.

Legal Budgetary Highlights

The District's total actual revenues were approximately \$908,111 greater than the total budgeted revenues, a variance of roughly 2.1%. The most significant contributor had to do with a 2.5% across the board cut instituted by the State of Iowa back in October of 2003. The cuts amounted to \$455,012 in state foundation aid and instructional support levy. In June of 2004 the state reduced the across the board cut from 2.5% to 2.25% which reduced the original cut from \$455,012 to \$409,510.

Over the course of the year, the district amended its operating budget one time. The budget amendment was due to underestimating the cost for the opening of a new building when the original budget was submitted.

- The Instructional area of the budget was increased to \$25,641,578 from \$24,926,642; virtually all the increase had to do with the additional teachers that were needed with the opening of the new PK-8 building.
- Total Support Services section of the overall budget was increased to \$11,422,375 from \$11,006,061. The need to increase the budget in this area was mainly due to the added cost for staff and utilities associated with the opening of a new school.
- Total Other expenditures area of the budget was increased to \$8,359,291 from \$8,088,171. This amendment was required because some additional upkeep of facilities were needed.

The only section of the budget that was not amended during the year was Non-instructional Programs and it happened to be the only section where expenditures exceed budgeted expenditures. Actual expenditures exceeded budget expenditures by \$50,331. Roughly \$30,000 was due to designating community education funding as an instructional expense instead of non-instructional expense. The remainder of the overrun had to do with underestimating the expenses for the nutrition fund with the addition of another serving site.

Capital Asset Administration

The District's investments in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$ 54,564,466 (net of accumulated depreciation). This investment in capital assets includes land, buildings and vehicles and equipment (See Figure A-8). This amount represents a net increase of \$1.47 million or 2.8 percent from last year.

The biggest change in comparing fiscal year 2004 with the previous year is in Land and Improvements other than Buildings categories. The district purchase roughly 24 acres of land for future use for an approximate amount of \$230,000. The \$234,102 increase in Improvements other than buildings category had to do with upgrades to our playgrounds including the purchase of new playground equipment for our new PK-8 building. Most of the other the other increases to capital assets can be attributed to the construction and equipping the new school.

Figure A-8

CAPITAL ASSETS, NET OF DEPRECIATION (EXPRESSED IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS- TYPE ACTIVITIES		TOTAL SCHOOL DISTRICT		TOTAL CHANGE 2003- 2004
	2003	2004	2003	2004	2003	2004	
LAND	\$ 893	\$ 1,123	-	-	\$ 893	\$ 1,123	25.7%
CONSTRUCTION IN PROGRESS	12,677	12,820	-	-	12,677	12,820	1.1%
BUILDINGS	36,777	37,363	-	-	36,659	37,363	1.9%
IMPROVEMENTS OTHER THAN BUILDINGS	339	541	-	-	339	541	59.58%
FURNITURE AND EQUIPMENT	2,363	2,466	166	251	2,529	2,717	7.4%
TOTALS	\$ 53,049	\$ 54,313	\$ 166	\$ 251	\$ 53,097	\$ 54,564	2.8%

Long-Term Liabilities

At year-end, the District had \$38.20 million in general obligation bonds and other long-term liabilities outstanding. This represents a decrease of \$1.5 million over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9

**OUTSTANDING
LONG-TERM
OBLIGATIONS
(EXPRESSED IN THOUSANDS)**

	TOTAL SCHOOL DISTRICT		TOTAL CHANGE
	2003	2004	2003- 2004
GENERAL OBLIGATION BONDS	38,955	37,080	-4.3%
EARLY RETIREMENT	584	779	74.3%
COMPENSATED ABSENCES	203	338	5.2%
	<u>\$ 39,742</u>	<u>\$ 38,197</u>	<u>-3.7%</u>

The reduction in the debt schedule is due mainly to the retirement of \$1.77 million of outstanding bonds. Only \$637,077 in new debt was issued during the year due to additional early retirements and increase in wages for compensated absences.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- Fiscal year 2004-2005 marks the third consecutive year of double digit increases in the District's Health Insurance Plan despite marked changes in the selection of policies and the richness of each plan.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for public education in the state. In the current year, the state issued an across the board 2.25% cut in funding. This reduced our state aid about \$409,000. Future increases in state aid to schools, (allowable growth) will be contingent upon the condition of the state and national economy. Currently in the law, the state has approved a 4% allowable growth for the 2005-2006 school year; the highest since 2002-2003 school year.
- The District has had a steady increase in student enrollment and anticipates that upward trend to continue. The growth will require the District to add another elementary in the near future.

- The Management fund balance continues to be a concern of the District. The District's modified premium adjustment (MOD) for by experience has continued to rise from 1.25 for FY 04 to 1.27 for FY 05. A higher MOD means higher insurance rates. The District's levy to support business protection insurance, including but not limited to workers compensation, liability insurance and early separation compensation plan went up from .45 per thousand in assessed valuation in FY 04 to .91309 per thousand in FY 05. It is known that with the increased workers compensation MOD the Management fund levy will have to be increased once again for the FY 06 school year.
- The District's patrons passed a crucial vote in September and approved the Physical, Plant and Equipment levy for 67 cents per thousand for another ten years. This is going to allow us to maintain the investment in the District's facilities and grounds that our patrons have so graciously supported and funded.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact David Nicholson., Business Administrator, Linn-Mar Community School District, 3333 North 10th Street, Marion, Iowa 52302.

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Basic Financial Statements



LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,622,418	\$ 175,152	\$ 8,797,570
Receivables:			
Property tax:			
Current year	116,273	-	116,273
Succeeding year	18,444,000	-	18,444,000
Accrued interest	4,272	-	4,272
Accounts	38,215	90	38,305
Due from other governments	735,435	-	735,435
Surplus notes receivable (note 8)	111,397	-	111,397
Inventories	-	34,222	34,222
Restricted ISCAP assets (note 4):			
Investments	1,505,114	-	1,505,114
Prepaid expenses	23,603	-	23,603
Capital assets, net of accumulated depreciation (note 5)	54,312,841	251,625	54,564,466
Total assets	83,913,568	461,089	84,374,657
Liabilities			
Accounts payable	885,210	443	885,653
Salaries and benefits payable	3,706,646	64,155	3,770,801
Accrued interest payable	193,348	-	193,348
ISCAP warrants payable (note 4)	1,497,000	-	1,497,000
Deferred revenue:			
Succeeding year property tax	18,444,000	-	18,444,000
Other	65,172	41,513	106,685
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	1,965,000	-	1,965,000
Early retirement	305,719	-	305,719
Compensated absences	338,382	-	338,382
Portion due after one year:			
Bonds payable	35,115,000	-	35,115,000
Early retirement	473,159	-	473,159
Total liabilities	62,988,636	106,111	63,094,747

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 17,765,683	\$ 251,625	\$ 18,017,308
Restricted for:			
Physical plant and equipment levy	1,304,418	-	1,304,418
Other special revenue purposes	557,961	-	557,961
Unrestricted	1,296,870	103,353	1,400,223
Total net assets	\$ <u>20,924,932</u>	\$ <u>354,978</u>	\$ <u>21,279,910</u>

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 17,039,534	\$ 1,117,234	\$ 942,200	\$ -
Special instruction	5,757,573	526,787	556,486	-
Other instruction	2,218,068	970,353	69,523	-
	<u>25,015,175</u>	<u>2,614,374</u>	<u>1,568,209</u>	<u>-</u>
Support services:				
Student services	1,648,627	-	10,227	-
Instructional staff services	2,055,120	60,894	83,340	-
Administration services	3,271,431	4,380	7,000	-
Operation and maintenance of plant services	3,207,633	15,415	-	-
Transportation services	1,434,039	18,182	91,082	-
Central services	89,770	-	-	-
	<u>11,706,620</u>	<u>98,871</u>	<u>191,649</u>	<u>-</u>
Non-instructional programs	<u>29,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	946,714	21,291	-	655,602
Long-term debt interest and fiscal charges	1,783,718	-	-	-
AEA flowthrough	1,452,261	-	1,452,261	-
Depreciation (unallocated) *	1,036,958	-	-	-
	<u>5,219,651</u>	<u>21,291</u>	<u>1,452,261</u>	<u>655,602</u>
Total governmental activities	41,970,646	2,734,536	3,212,119	655,602
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>1,621,131</u>	<u>1,188,254</u>	<u>390,243</u>	<u>118,253</u>
Total	\$ 43,591,777	\$ 3,922,790	\$ 3,602,362	\$ 773,855

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (14,980,100)	\$ -	\$ (14,980,100)
(4,674,300)	-	(4,674,300)
(1,178,192)	-	(1,178,192)
<u>(20,832,592)</u>	<u>-</u>	<u>(20,832,592)</u>
(1,638,400)	-	(1,638,400)
(1,910,886)	-	(1,910,886)
(3,260,051)	-	(3,260,051)
(3,192,218)	-	(3,192,218)
(1,324,775)	-	(1,324,775)
(89,770)	-	(89,770)
<u>(11,416,100)</u>	<u>-</u>	<u>(11,416,100)</u>
<u>(29,200)</u>	<u>-</u>	<u>(29,200)</u>
(269,821)	-	(269,821)
(1,783,718)	-	(1,783,718)
-	-	-
<u>(1,036,958)</u>	<u>-</u>	<u>(1,036,958)</u>
<u>(3,090,497)</u>	<u>-</u>	<u>(3,090,497)</u>
(35,368,389)	-	(35,368,389)
-	75,619	75,619
<u>(35,368,389)</u>	<u>75,619</u>	<u>(35,292,770)</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 13,825,403	\$ -	\$ 13,825,403
3,527,896	-	3,527,896
1,267,743	-	1,267,743
16,741,241	-	16,741,241
94,877	1,322	96,199
66,916	-	66,916
<u>35,524,076</u>	<u>1,322</u>	<u>35,525,398</u>
155,687	76,941	232,628
<u>20,769,245</u>	<u>278,037</u>	<u>21,047,282</u>
<u>\$ 20,924,932</u>	<u>\$ 354,978</u>	<u>\$ 21,279,910</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 6,314,311	\$ 88,199	\$ 2,219,908	\$ 8,622,418
Receivables:				
Property tax:				
Current year	80,584	24,147	11,542	116,273
Succeeding year	13,148,000	3,269,000	2,027,000	18,444,000
Accrued interest	4,191	-	81	4,272
Interfund receivable (note 3)	71,000	-	-	71,000
Accounts	35,240	-	2,975	38,215
Surplus notes receivable (note 8)	111,397	-	-	111,397
Due from other governments	440,435	-	295,000	735,435
Restricted ISCAP assets (note 4):				
Investments	1,505,114	-	-	1,505,114
Prepaid expenses	23,603	-	-	23,603
Total assets	<u>\$ 21,733,875</u>	<u>\$ 3,381,346</u>	<u>\$ 4,556,506</u>	<u>\$ 29,671,727</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 762,791	\$ 175	\$ 122,244	\$ 885,210
Salaries and benefits payable	3,699,767	-	6,879	3,706,646
Interfund payable (note 3)	-	-	71,000	71,000
ISCAP warrants payable (note 4)	1,497,000	-	-	1,497,000
Deferred revenue:				
Succeeding year property tax	13,148,000	3,269,000	2,027,000	18,444,000
Other	65,172	-	-	65,172
Total liabilities	<u>19,172,730</u>	<u>3,269,175</u>	<u>2,227,123</u>	<u>24,669,028</u>
Fund balance:				
Reserved for:				
Prepaid expenses	23,603	-	-	23,603
Surplus notes receivable	111,397	-	-	111,397
State grants	61,692	-	-	61,692
Debt service	-	112,171	-	112,171
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	1,796,541	1,796,541
Undesignated	2,364,453	-	532,842	2,897,295
Total fund balances	<u>2,561,145</u>	<u>112,171</u>	<u>2,329,383</u>	<u>5,002,699</u>
Total liabilities and fund balances	<u>\$ 21,733,875</u>	<u>\$ 3,381,346</u>	<u>\$ 4,556,506</u>	<u>\$ 29,671,727</u>

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds	\$ 5,002,699
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	54,312,841
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(193,348)
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Long-term liabilities, including bonds payable, early retirement, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(38,197,260)</u>
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Net assets of governmental activities	<u><u>\$ 20,924,932</u></u>
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See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 13,325,279	\$ 3,526,118	\$ 1,760,190	\$ 18,611,587
Tuition	1,051,953	-	-	1,051,953
Other	692,721	8,180	1,089,987	1,790,888
State sources	19,462,627	1,778	27,752	19,492,157
Federal sources	551,008	-	628,740	1,179,748
Total revenues	<u>35,083,588</u>	<u>3,536,076</u>	<u>3,506,669</u>	<u>42,126,333</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	16,858,454	-	189,748	17,048,202
Special instruction	5,760,503	-	-	5,760,503
Other instruction	1,328,935	-	937,349	2,266,284
	<u>23,947,892</u>	<u>-</u>	<u>1,127,097</u>	<u>25,074,989</u>
Support services:				
Student services	1,640,592	-	8,035	1,648,627
Instructional staff services	2,037,014	-	18,106	2,055,120
Administration services	2,786,084	-	439,856	3,225,940
Operation and maintenance of plant services	3,096,028	-	20,193	3,116,221
Transportation services	1,274,769	-	8,797	1,283,566
Central and other support services	89,770	-	-	89,770
	<u>10,924,257</u>	<u>-</u>	<u>494,987</u>	<u>11,419,244</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>29,200</u>	<u>29,200</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total
Expenditures (continued):				
Other expenditures:				
Capital Outlay:				
Facilities acquisition	\$ -	\$ -	\$ 3,144,501	\$ 3,144,501
Debt Service:				
Principal	-	1,875,000	-	1,875,000
Interest	-	1,790,423	-	1,790,423
Fiscal charges	-	1,862	-	1,862
Intergovernmental:				
AEA flowthrough	1,452,261	-	-	1,452,261
	<u>1,452,261</u>	<u>3,667,285</u>	<u>3,144,501</u>	<u>8,264,047</u>
Total expenditures	<u>36,324,410</u>	<u>3,667,285</u>	<u>4,795,785</u>	<u>44,787,480</u>
Deficiency of revenues under expenditures	(1,240,822)	(131,209)	(1,289,116)	(2,661,147)
Fund balances beginning of year	<u>3,801,967</u>	<u>243,380</u>	<u>3,618,499</u>	<u>7,663,846</u>
Fund balances end of year	<u>\$ 2,561,145</u>	<u>\$ 112,171</u>	<u>\$ 2,329,383</u>	<u>\$ 5,002,699</u>

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (2,661,147)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,913,608	
Depreciation expense	<u>(1,649,743)</u>	1,263,865

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 1,875,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 8,567

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Early retirement	(194,962)	
Compensated absences	<u>(135,636)</u>	<u>(330,598)</u>

Change in net assets of governmental activities \$ 155,687

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 175,152
Accounts receivable	90
Inventories	34,222
Capital assets, net of accumulated depreciation	<u>251,625</u>
Total assets	<u>461,089</u>
Liabilities	
Accounts payable	443
Salaries and benefits payable	64,155
Deferred revenue:	
Other	<u>41,513</u>
Total liabilities	<u>106,111</u>
Net Assets	
Invested in capital assets, net of related debt	251,625
Unrestricted	<u>103,353</u>
Total net assets	<u>\$ 354,978</u>

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>1,188,254</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	678,923
Benefits	88,848
Purchased services	33,930
Supplies	760,078
Small equipment	19,839
Depreciation	35,129
Other	4,384
	<u>1,621,131</u>
Operating loss	<u>(432,877)</u>
Non-operating revenues:	
Interest on investments	1,322
Capital contributions	118,253
State sources	19,688
Federal sources	370,555
Total non-operating revenues	<u>509,818</u>
Change in net assets	76,941
Net assets beginning of year	<u>278,037</u>
Net assets end of year	\$ <u><u>354,978</u></u>

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,175,413
Cash received from miscellaneous operating activities	9,963
Cash payments to employees for services	(760,803)
Cash payments to suppliers for goods or services	<u>(732,783)</u>
Net cash used in operating activities	<u>(308,210)</u>
Cash flows from non-capital financing activities:	
State grants received	19,688
Federal grants received	<u>292,247</u>
Net cash provided by non-capital financing activities	<u>311,935</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,996)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,322</u>
Net increase in cash and cash equivalents	3,051
Cash and cash equivalents beginning of year	<u>172,101</u>
Cash and cash equivalents end of year	<u>\$ 175,152</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (432,877)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	35,129
Commodities used	80,716
Decrease in accounts receivable	1,147
Decrease in inventories	4,868
(Decrease) in accounts payable	(136)
Increase in salaries and benefits payable	6,968
(Decrease) in deferred revenues	<u>(4,025)</u>
Net cash used in operating activities	<u>\$ (308,210)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$80,716 of federal commodities. The District also received \$118,253 in capital contributions of equipment purchased by the Capital Projects Fund.

See notes to financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2004

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>36,658</u>
Liabilities:	
Flex benefits payable	\$ <u>36,658</u>
See notes to financial statements.	

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Linn-Mar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marion, Iowa, portions of the Cities of Robins and Cedar Rapids, Iowa, and portions of the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Linn-Mar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Linn-Mar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unspent grant proceeds, and unearned meal revenues.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

As of June 30, 2004, the carrying amount of the District's bank deposits and pooled investments totaled \$8,834,228 with bank balances of \$9,968,458. These amounts are included in the cash and pooled investments on the District-wide statement of net assets, the governmental funds balance sheet, the proprietary funds statement of net assets and the fiduciary funds statement of assets and liabilities. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$9,868,458 was collateralized by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$6,976,145 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Interfund Receivables/Payables

The detail of interfund receivables and payables for the year ended June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Interfund balances between Governmental Funds:	Special Revenue:	
Pooled Cash Balances:		
General	Special Revenue - Management	\$ <u>71,000</u>

Pooled cash balances are temporary financing between funds which is necessary due to timing of expected tax collections and grant reimbursements for project expenditures. These balances are not included on the District-wide statement of net assets.

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Warrants Payable
2004-05A	6/30/2004	6/30/2005	\$ <u>1,505,114</u>	\$ <u>1,497,000</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 893,264	\$ 229,985	\$ -	\$ 1,123,249
Construction in progress	12,676,769	1,779,063	1,636,183	12,819,649
Total capital assets not being depreciated	<u>13,570,033</u>	<u>2,009,048</u>	<u>1,636,183</u>	<u>13,942,898</u>
Capital assets being depreciated:				
Buildings	47,022,776	1,590,820	-	48,613,596
Improvements other than buildings	569,078	234,102	-	803,180
Furniture and equipment	7,140,894	715,821	40,007	7,816,708
Total capital assets being depreciated	<u>54,732,748</u>	<u>2,540,743</u>	<u>40,007</u>	<u>57,233,484</u>
Less accumulated depreciation for:				
Buildings	10,246,139	1,004,729	-	11,250,868
Improvements other than buildings	229,631	32,229	-	261,860
Furniture and equipment	4,778,035	612,785	40,007	5,350,813
Total accumulated depreciation	<u>15,253,805</u>	<u>1,649,743</u>	<u>40,007</u>	<u>16,863,541</u>
Total capital assets being depreciated, net	<u>39,478,943</u>	<u>891,000</u>	<u>-</u>	<u>40,369,943</u>
Governmental activities capital assets, net	<u>\$ 53,048,976</u>	<u>\$ 2,900,048</u>	<u>\$ 1,636,183</u>	<u>\$ 54,312,841</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 341,347	\$ 120,249	\$ -	\$ 461,596
Less accumulated depreciation	174,842	35,129	-	209,971
Business-type activities capital assets, net	<u>\$ 166,505</u>	<u>\$ 85,120</u>	<u>\$ -</u>	<u>\$ 251,625</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 217,955
Special	73,645

Support services:

Administration	20,656
Operation and maintenance of plant services	42,066
Transportation	258,463
	<u>612,785</u>
Unallocated depreciation	<u>1,036,958</u>

Total governmental activities depreciation expense \$ 1,649,743

Business-type activities:

Food service operations	<u>\$ 35,129</u>
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LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Early Retirement	Compensated Absences	Total
Balance beginning of year	\$ 38,955,000	\$ 583,916	\$ 202,746	\$ 39,741,662
Additions	-	298,695	338,382	637,077
Reductions	1,875,000	103,733	202,746	2,181,479
Balance end of year	<u>\$ 37,080,000</u>	<u>\$ 778,878</u>	<u>\$ 338,382</u>	<u>\$ 38,197,260</u>
Due within one year	<u>\$ 1,965,000</u>	<u>\$ 305,719</u>	<u>\$ 338,382</u>	<u>\$ 2,609,101</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay, multiplied by a given percentage rate based on the employee's age at the end of the last active year. Employees may also elect to continue participation in the District's group health insurance plan until age 65 or until insurance is acquired elsewhere. This participation is at the employee's expense with the exception that any unused personal days or separation compensation may be used to cover the cost of premiums. Early retirement benefits paid during the year ended June 30, 2004, totaled \$128,329. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 1998			Bond Issue of April 1, 1998		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.500 %	\$ 905,000	\$ 610,815	4.350 %	\$ 575,000	\$ 288,510
2006	4.500	950,000	570,090	4.400	600,000	263,498
2007	4.500	1,005,000	527,340	4.450	625,000	237,097
2008	4.500	1,055,000	482,115	4.500	650,000	209,285
2009	4.600	1,110,000	434,640	4.625	680,000	180,035
2010-2014	4.700-4.900	5,500,000	1,345,620	4.700-5.000	3,060,000	383,785
2015-2019	5.000	2,400,000	245,000	-	-	-
		<u>\$ 12,925,000</u>	<u>\$ 4,215,620</u>		<u>\$ 6,190,000</u>	<u>\$ 1,562,210</u>

Year Ending June 30,	Bond Issue of March 1, 1999			Bond Issue of June 1, 2001		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.000 %	\$ 65,000	\$ 317,792	4.050 %	-	\$ 470,558
2006	4.000	70,000	315,193	4.050	-	470,558
2007	4.000	70,000	312,392	4.050	450,000	470,558
2008	4.100	75,000	309,593	4.150	510,000	452,332
2009	4.200	75,000	306,517	4.250	530,000	431,168
2010-2014	4.300-4.450	2,275,000	1,466,778	4.400-4.700	3,000,000	1,782,486
2015-2019	4.500-4.550	4,470,000	373,840	4.750-5.000	3,745,000	1,009,450
2020-2021		-	-	5.000-5.000	1,765,000	133,500
		<u>\$ 7,100,000</u>	<u>\$ 3,402,105</u>		<u>\$ 10,000,000</u>	<u>\$ 5,220,610</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Bond Issue of March 1, 2002			Total	
	Interest Rate	Principal	Interest	Principal	Interest
2005	2.900 %	\$ 420,000	\$ 26,198	\$ 1,965,000	\$ 1,713,873
2006	3.150	445,000	14,018	2,065,000	1,633,357
2007		-	-	2,150,000	1,547,387
2008		-	-	2,290,000	1,453,325
2009		-	-	2,395,000	1,352,360
2010-2014		-	-	13,835,000	4,978,669
2015-2019		-	-	10,615,000	1,628,290
2020-2021		-	-	1,765,000	133,500
		<u>\$ 865,000</u>	<u>\$ 40,216</u>	<u>\$ 37,080,000</u>	<u>\$ 14,440,761</u>

During the year ended June 30, 2004, the District retired \$1,875,000 of bonds.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$1,282,740, \$1,250,480, and \$1,187,917 respectively, equal to the required contributions for each year.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management

Self-Insurance

Health – Six public educational entities are currently participating in a 28E organization which was established in 1990 to provide a self-insurance plan for employee medical coverage. The Districts contribute to the self-insurance plan an amount equal to 125% of Blue Cross/Blue Shield projections for the rating period. The fund re-insures for stop-loss insurance for claims in excess of \$100,000 per year per individual. An insurance carrier is paid an administrative fee to process the claims.

During the year ended June 30, 2004, the organization issued surplus notes to all members to increase the organization's ability to pay current obligations. The notes will be repaid to the Districts at a 1.5% interest rate per annum. The notes have no formal amortization schedule but should be repaid by June 30, 2005.

The total premium paid into the plan by all six members from July 1, 2003 to June 30, 2004 was \$22,719,994, of which \$2,435,660 was paid by Linn-Mar Community School District.

Linn-Mar Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,452,261 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into a contract totaling \$86,093 for athletic field upgrades. In addition, the District had carryover construction commitments from the prior year totaling \$3,046,748, including change orders. At June 30, 2004 \$3,361,076 of the contracts were completed and paid. The remaining amounts of the contracts will be paid as work on the projects progress.

Note 11. Contingencies

The District is currently involved in a construction payment dispute with a general contractor and subcontractor. The outcome of this dispute cannot be determined at this time. The District has no insurance coverage for this type of litigation.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 12. Restatement of Fund Balance

The District has an IRS 125 Flexible benefits plan for employees. The amounts for this plan are accounted for through an Agency Fund administered by the District but were omitted from previous financial statements. The District has properly included these amounts for the current year and will include all applicable transactions in current and future financial statements. The effect of this change is to restate beginning cash and pooled investments and beginning flex benefits payable by the amount of \$34,084, each, the amount of cash held by the District at June 30, 2003.

Note 13. Financial Condition

The District's Special Revenue Fund, Management Levy had an unreserved, undesignated fund deficit of \$65,838 at June 30, 2004. In addition, the Special Revenue Fund, Student Activities had several individual accounts within the fund with deficit balances.

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Required Supplementary Information



LINN-MAR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 21,454,428	\$ 1,307,829	\$ 22,762,257	\$ 22,384,241	\$ 22,384,241	\$ 378,016
State sources	19,492,157	19,688	19,511,845	19,808,283	19,808,283	(296,438)
Federal sources	1,179,748	370,555	1,550,303	723,770	723,770	826,533
Total revenues	42,126,333	1,698,072	43,824,405	42,916,294	42,916,294	908,111
EXPENDITURES/EXPENSES:						
Instruction	25,074,989	-	25,074,989	24,926,642	25,641,578	566,589
Support services	11,419,244	-	11,419,244	11,006,061	11,422,375	3,131
Non-instructional programs	29,200	1,621,131	1,650,331	1,600,000	1,600,000	(50,331)
Other expenditures	8,264,047	-	8,264,047	8,088,171	8,359,291	95,244
Total expenditures/ expenses	44,787,480	1,621,131	46,408,611	45,620,874	47,023,244	614,633
Excess (deficiency) of revenues over (under) expenditures/ expenses	(2,661,147)	76,941	(2,584,206)	(2,704,580)	(4,106,950)	1,522,744
Other financing sources, net	-	-	-	1,000	1,000	(1,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(2,661,147)	76,941	(2,584,206)	(2,703,580)	(4,105,950)	1,521,744
Balance beginning of year	7,663,846	278,037	7,941,883	7,323,840	7,323,840	618,043
Balance end of year	\$ 5,002,699	\$ 354,978	\$ 5,357,677	\$ 4,620,260	\$ 3,217,890	\$ 2,139,787

See accompanying independent auditor's report.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared according to U.S. generally accepted accounting principles. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,402,370.

During the year ended June 30, 2004, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

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Other Supplementary Information



LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue			
	Management	Student	Public	Physical
	Levy	Activity	Education and	Plant and
			Recreation	Equipment
			Levy	Levy
Assets				
Cash and pooled investments	\$ 2,217	\$ 167,491	\$ 504,875	\$ 1,009,921
Receivables:				
Property tax:				
Current year	2,983	-	895	7,664
Succeeding year	944,000	-	32,000	1,051,000
Accrued interest	-	-	-	-
Accounts	-	2,975	-	-
Due from other governments	-	-	-	295,000
Total assets	<u>\$ 949,200</u>	<u>\$ 170,466</u>	<u>\$ 537,770</u>	<u>\$ 2,363,585</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 38	\$ 30,810	\$ 80,586	\$ 8,167
Salaries and benefits payable	-	4,560	2,319	-
Interfund payable	71,000	-	-	-
Deferred revenue:				
Succeeding year property tax	944,000	-	32,000	1,051,000
Total liabilities	<u>1,015,038</u>	<u>35,370</u>	<u>114,905</u>	<u>1,059,167</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>(65,838)</u>	<u>135,096</u>	<u>422,865</u>	<u>1,304,418</u>
Total liabilities and fund equity	<u>\$ 949,200</u>	<u>\$ 170,466</u>	<u>\$ 537,770</u>	<u>\$ 2,363,585</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 535,404	\$ 2,219,908
-	11,542
-	2,027,000
81	81
-	2,975
-	295,000
<u>\$ 535,485</u>	<u>\$ 4,556,506</u>

\$ 2,643	\$ 122,244
-	6,879
-	71,000
-	2,027,000
<u>2,643</u>	<u>2,227,123</u>

<u>532,842</u>	<u>2,329,383</u>
<u>\$ 535,485</u>	<u>\$ 4,556,506</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Public	Physical
	Levy	Activity	Education and	Plant and
			Recreation	Equipment
			Levy	Levy
Revenues:				
Local sources:				
Local tax	\$ 493,086	\$ -	\$ 147,925	\$ 1,119,179
Other	34	974,125	3,939	32,715
State sources	251	-	75	27,426
Federal sources	-	-	-	628,740
Total revenues	<u>493,371</u>	<u>974,125</u>	<u>151,939</u>	<u>1,808,060</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	123,156	-	-	66,592
Other instruction	-	937,349	-	-
Support services:				
Student services	8,035	-	-	-
Instructional staff services	16,606	-	-	1,500
Administration services	439,856	-	-	-
Operation and maintenance of				
plant services	-	-	-	20,193
Transportation services	4,169	-	-	4,628
Non instructional programs	-	-	29,200	-
Other expenditures:				
Facilities acquisition	-	-	218,941	1,629,227
Total expenditures	<u>591,822</u>	<u>937,349</u>	<u>248,141</u>	<u>1,722,140</u>
Excess (deficiency) of revenues over				
(under) expenditures	(98,451)	36,776	(96,202)	85,920
Fund balances beginning of year	<u>32,613</u>	<u>98,320</u>	<u>519,067</u>	<u>1,218,498</u>
Fund balances end of year	<u>\$ (65,838)</u>	<u>\$ 135,096</u>	<u>\$ 422,865</u>	<u>\$ 1,304,418</u>

See accompanying independent auditor's report.

	Capital Projects	Total
\$	-	\$ 1,760,190
	79,174	1,089,987
	-	27,752
	-	628,740
	<u>79,174</u>	<u>3,506,669</u>
	-	189,748
	-	937,349
	-	8,035
	-	18,106
	-	439,856
	-	20,193
	-	8,797
	-	29,200
	<u>1,296,333</u>	<u>3,144,501</u>
	<u>1,296,333</u>	<u>4,795,785</u>
	(1,217,159)	(1,289,116)
	<u>1,750,001</u>	<u>3,618,499</u>
\$	<u><u>532,842</u></u>	<u><u>\$ 2,329,383</u></u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide Activities	\$ 16,606	\$ 942	\$ 10,784	\$ 6,764
HS Athletics	6,284	367,085	356,341	17,028
HS Activities	39,987	488,380	459,104	69,263
JH Activities	32,594	105,410	94,219	43,785
Middle School Athletics	(8,485)	2,505	6,675	(12,655)
Elementary District-Wide Activities	2,641	-	-	2,641
Indian Creek Elementary	2,032	1,961	2,342	1,651
Novak Elementary	1,039	429	225	1,243
Bowman Woods Elementary	3,235	7,413	7,659	2,989
Activity Administration	2,387	-	-	2,387
Total	\$ <u>98,320</u>	\$ <u>974,125</u>	\$ <u>937,349</u>	\$ <u>135,096</u>

See accompanying independent auditor's report.

LINN-MAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2004

	Balance Beginning of Year, as restated	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>34,084</u>	\$ <u>296,753</u>	\$ <u>294,179</u>	\$ <u>36,658</u>
Liabilities				
Flex benefits payable	\$ <u>34,084</u>	\$ <u>296,753</u>	\$ <u>294,179</u>	\$ <u>36,658</u>

See accompanying independent auditor's report.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 18,611,587	\$ 17,570,145	\$ 16,288,634	\$ 14,778,622
Tuition	1,051,953	967,069	1,127,609	1,015,513
Other	1,790,888	2,234,570	1,979,886	2,135,681
Intermediate sources	-	28,111	13,974	15,714
State sources	19,492,157	19,216,125	17,803,210	17,460,907
Federal sources	1,179,748	1,107,290	449,850	351,237
Total revenues	<u>\$ 42,126,333</u>	<u>\$ 41,123,310</u>	<u>\$ 37,663,163</u>	<u>\$ 35,757,674</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 17,048,202	\$ 16,072,350	\$ 15,734,742	\$ 14,603,581
Special instruction	5,760,503	5,128,976	4,703,886	4,062,968
Other instruction	2,266,284	2,104,178	1,795,814	1,960,617
Support services:				
Student services	1,648,627	1,489,379	1,746,215	1,453,934
Instructional staff services	2,055,120	1,727,303	1,870,353	2,081,782
Administration services	3,225,940	2,860,983	2,166,667	2,350,713
Operation and maintenance of plant services	3,116,221	2,743,483	2,377,287	2,447,137
Transportation services	1,283,566	1,099,100	1,217,869	1,019,394
Central and other support services	89,770	214,611	-	121,171
Non-instructional programs	29,200	31,047	28,286	39,096
Other expenditures:				
Facilities acquisition	3,144,501	12,168,358	2,589,959	1,869,453
Long-term debt:				
Principal	1,875,000	1,775,000	1,700,000	1,340,000
Interest and fiscal charges	1,792,285	1,862,159	1,894,948	1,474,826
AEA flowthrough	1,452,261	1,485,575	1,417,202	1,389,418
Total expenditures	<u>\$ 44,787,480</u>	<u>\$ 50,762,502</u>	<u>\$ 39,243,228</u>	<u>\$ 36,214,090</u>

See accompanying independent auditor's report.

Statistical Section



LINN-MAR COMMUNITY SCHOOL DISTRICT

DISTRICT-WIDE EXPENSES BY FUNCTION – GOVERNMENTAL ACTIVITIES

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30,		Instruction	Support Services	Non- Instructional Programs	Other Expenditures	Total
2004	\$	25,015,175	\$ 11,706,620	\$ 29,200	\$ 5,219,651	\$ 41,970,646
2003		23,389,464	10,255,710	31,047	4,327,663	38,003,884
2002	*					
2001	*					
2000	*					
1999	*					
1998	*					
1997	*					
1996	*					
1995	*					

* = Information is not applicable to years ended June 30, 2002 and prior due to implementation of the new reporting model for the year ended June 30, 2003.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

GENERAL FUND EXPENDITURES, BY FUNCTION, AND OTHER FINANCING USES
Last Ten Fiscal Years
(Unaudited)

Expenditures by Function

Fiscal Year Ended June 30,	Instruction	Support Services	Non- Instructional Programs	Other Expenditures	Total Expenditures	Other Financing Uses
2004	\$ 23,947,892	\$ 10,924,257	\$ -	\$ 1,452,261	\$ 36,324,410	\$ -
2003	22,164,892	9,730,893	-	1,485,575	33,381,360	-
2002	21,356,226	9,083,974	-	1,417,202	31,857,402	-
2001	19,707,627	9,188,976	-	1,389,418	30,286,021	-
2000	18,053,050	8,594,461	-	1,271,474	27,918,985	-
1999	16,259,564	7,343,060	-	1,188,863	24,791,487	-
1998	14,936,923	6,685,239	-	1,098,605	22,720,767	(264,551)
1997	13,925,275	6,408,563	-	1,011,235	21,345,073	(250,000)
1996	13,269,922	6,623,520	-	-	19,893,442	(740,000)
1995	11,505,902	5,522,854	-	-	17,028,756	-

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

DISTRICT-WIDE REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year Ended June 30,</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Local Tax</u>	<u>Unrestricted State Grants</u>	<u>Miscellaneous</u>	<u>Total</u>
2004	\$ 2,734,536	\$ 3,212,119	\$ 655,602	\$ 18,621,042	\$ 16,741,241	\$ 161,793	\$ 42,126,333
2003	2,225,028	3,413,166	564,664	17,570,145	16,373,697	976,720	41,123,420
2002	*						
2001	*						
2000	*						
1999	*						
1998	*						
1997	*						
1996	*						
1995	*						

* = Information is not applicable to years ended June 30, 2002 and prior due to implementation of the new reporting model for the year ended June 30, 2003.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

GENERAL FUND REVENUES, BY SOURCE, AND OTHER FINANCING SOURCES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Local Tax	State	Federal	Miscellaneous	Total	Other Financing Sources
2004	\$ 13,325,279	\$ 19,462,627	\$ 551,008	\$ 1,744,674	\$ 35,083,588	\$ -
2003	12,690,539	19,208,714	547,626	1,647,414	34,094,293	110
2002	11,281,454	17,800,387	449,850	1,756,775	31,288,466	560
2001	10,694,813	17,308,677	351,237	2,074,215	30,428,942	-
2000	10,420,872	15,947,705	291,708	1,924,631	28,584,916	-
1999	9,783,220	14,033,206	355,007	1,920,585	26,092,018	-
1998	9,157,897	13,083,866	206,800	1,852,258	24,300,821	-
1997	8,382,628	12,014,842	214,434	1,710,121	22,322,025	-
1996	7,814,665	9,437,164	217,284	1,768,919	19,238,032	1,249,500
1995	7,381,299	8,823,331	151,292	1,059,503	17,415,425	-

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	General	Debt Services	PERL	PPEL	Management	Total
<u>Property Tax Levies</u>						
2004	\$ 13,240,333	\$ 3,510,174	\$ 146,864	\$ 1,114,122	\$ 489,547	\$ 18,501,040
2003	12,646,570	3,336,487	138,202	1,065,300	315,000	17,501,559
2002	11,309,433	3,594,249	132,287	1,001,719	250,000	16,287,688
2001	10,611,295	2,751,598	123,882	917,646	250,000	14,654,421
2000	10,534,426	2,766,498	120,872	895,349	250,000	14,567,145
1999	9,635,643	2,801,259	112,720	834,960	250,000	13,634,582
1998	9,118,846	2,055,927	102,295	757,740	250,000	12,284,808
1997	9,081,425	919,700	97,327	720,940	200,000	11,019,392
1996	7,838,731	924,045	90,931	673,560	200,000	9,727,267
1995	7,414,816	932,860	87,685	652,769	232,000	9,320,130

Property Tax Collections

2004	\$ 13,239,145	\$ 3,503,729	\$ 146,969	\$ 1,112,073	\$ 489,899	\$ 18,491,815
2003	12,596,869	3,329,567	137,898	1,063,087	314,750	17,442,171
2002	11,197,172	3,593,439	131,081	995,220	247,724	16,164,636
2001	10,602,169	2,750,310	125,025	924,518	250,143	14,652,165
2000	10,329,770	2,785,308	121,695	901,447	251,702	14,389,922
1999	9,700,426	2,834,814	114,072	845,027	253,019	13,747,358
1998	9,081,756	2,071,654	103,075	763,525	251,942	12,271,952
1997	8,319,138	911,224	96,541	715,127	198,390	10,240,420
1996	7,765,099	913,750	92,308	667,585	198,315	9,637,057
1995	7,332,708	925,324	86,968	647,434	230,105	9,222,539

Percentage Collected

2004	99.99	%	99.82	%	100.07	%	99.82	%	100.07	%	99.95	%
2003	99.61		99.79		99.78		99.79		99.92		99.66	
2002	99.01		99.98		99.09		99.35		99.09		99.24	
2001	99.91		99.95		100.92		100.75		100.06		99.98	
2000	98.06		100.68		100.68		100.68		100.68		98.78	
1999	100.67		101.20		101.20		101.21		101.21		100.83	
1998	99.59		100.76		100.76		100.76		100.78		99.90	
1997	91.61		99.08		99.19		99.19		99.20		92.93	
1996	99.06		98.89		101.51		99.11		99.16		99.07	
1995	98.89		99.19		99.18		99.18		99.18		98.95	

Source: School District Financial Records

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LINN-MAR COMMUNITY SCHOOL DISTRICT
 ASSESSED AND TAXABLE VALUE OF PROPERTY
 Last Ten Fiscal Years
 (Unaudited)

Assessment Year	Collection Year	Real Property		Utilities	
		Taxable Value	Assessed Value	Taxable Value	Assessed Value
2002	2003-04 (A)	\$ 1,096,672,553	\$ 1,694,179,714	\$ 17,449,122	\$ 17,449,122
2001	2002-03 (B)	1,048,767,918	1,615,215,870	16,531,519	16,531,519
2000	2001-02 (C)	985,965,706	1,416,750,021	15,753,545	15,753,545
1999	2000-01 (D)	909,439,072	1,321,139,183	15,510,277	15,510,277
1998	1999-00 (E)	883,787,170	1,244,174,567	16,575,946	16,575,946
1997	11998-99 (F)	822,585,318	1,177,702,846	16,403,250	16,403,250
1996	1997-98 (G)	746,385,532	1,009,925,808	15,068,898	15,068,868
1995	1996-97 (H)	709,888,172	959,523,142	14,498,050	14,498,050
1994	1995-96 (I)	664,153,440	829,224,532	13,811,390	14,207,932
1993	1994-95 (J)	637,929,894	788,331,659	14,783,727	14,783,727

- (A) Equalization order applied by County Auditor.
Rollback 51.3874% residential, 100% utilities.
- (B) Equalization order applied by County Auditor.
Rollback 51.6676% residential, 100% utilities.
- (C) Equalization order applied by County Auditor.
Rollback 56.2651% residential, 100% utilities.
- (D) Equalization order applied by County Auditor.
Rollback 54.8525% residential, 100% utilities.
- (E) Equalization order applied by County Auditor.
Rollback 56.4789% residential, 100% utilities.
- (F) Equalization order applied by County Auditor.
Rollback 54.9090% residential, 100% utilities.
- (G) Equalization order applied by County Auditor.
Rollback 58.8284% residential, 100% utilities.
- (H) Equalization order applied by County Auditor.
Rollback 59.1380% residential, 100% utilities.
- (I) Equalization order applied by County Auditor.
Rollback 67.5074% residential, 97.2090% utilities.
- (J) Equalization order applied by County Auditor.
Rollback 68.0404% residential, 100% utilities.

Source: Linn County Auditor

Total		Ratio Taxable Value to Assessed Value
Taxable Value	Assessed Value	
\$ 1,114,121,675	\$ 1,711,628,836	65.1 %
1,065,299,437	1,631,747,389	65.3
1,001,719,251	1,432,503,566	69.9
924,949,349	1,336,649,460	69.2
900,363,116	1,260,750,513	71.4
838,988,568	1,194,106,096	70.3
761,454,430	1,024,994,676	74.3
724,386,222	974,021,192	74.4
677,964,830	843,432,464	80.4
652,713,621	803,115,386	81.3

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
2002	2003-2004*			
	County	\$ 5.29322	\$ 5.29322	\$ 5.29322
	Schools	16.89647	16.89647	16.89647
	City	13.06777	13.46667	8.55126
	Miscellaneous	1.07587	0.97726	0.97726
	Total Levy	<u>\$ 36.33333</u>	<u>\$ 36.63362</u>	<u>\$ 31.71821</u>
Ratio of Linn-Mar Community School District to Total		<u>46.50%</u>	<u>46.12%</u>	<u>53.27%</u>
2001	2002-2003*			
	County	\$ 5.25419	\$ 5.25419	\$ 5.25419
	Schools	16.90663	16.90663	16.90663
	City	12.82969	13.25744	8.58425
	Miscellaneous	1.06121	0.9617	0.9617
	Total Levy	<u>\$ 36.05172</u>	<u>\$ 36.37996</u>	<u>\$ 31.70677</u>
Ratio of Linn-Mar Community School District to Total		<u>46.90%</u>	<u>46.47%</u>	<u>53.32%</u>
2000	2001-2002*			
	County	\$ 5.24684	\$ 5.24684	\$ 5.24684
	Schools	16.52524	16.52524	16.52524
	City	13.04	12.78971	8.61467
	Miscellaneous	1.01956	0.87966	0.87966
	Total Levy	<u>\$ 35.83164</u>	<u>\$ 35.44145</u>	<u>\$ 31.26641</u>
Ratio of Linn-Mar Community School District to Total		<u>46.12%</u>	<u>46.63%</u>	<u>52.85%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
1999	2000-2001*			
	County	\$ 5.3111	\$ 5.3111	\$ 5.3111
	Schools	15.93025	15.93025	15.93025
	City	12.74497	12.75826	9.04828
	Miscellaneous	0.97792	0.87427	0.87427
	Total Levy	<u>\$ 34.96424</u>	<u>\$ 34.87388</u>	<u>\$ 31.1639</u>
Ratio of Linn-Mar Community School District to Total		<u>45.56%</u>	<u>45.68%</u>	<u>51.12%</u>
1998	1999-2000*			
	County	\$ 5.3111	\$ 5.3111	\$ 5.3111
	Schools	15.94591	15.94591	15.94591
	City	12.4	12.39855	9.04591
	Miscellaneous	0.93054	0.89281	0.89281
	Total Levy	<u>\$ 34.58755</u>	<u>\$ 34.54837</u>	<u>\$ 31.19573</u>
Ratio of Linn-Mar Community School District to Total		<u>46.10%</u>	<u>46.16%</u>	<u>51.12%</u>
1997	1998-1999*			
	County	\$ 5.3811	\$ 5.3811	\$ 5.3811
	Schools	16.25259	16.25259	16.25259
	City	12.32432	12.46129	9.00902
	Miscellaneous	0.84003	0.85972	0.85972
	Total Levy	<u>\$ 34.79804</u>	<u>\$ 34.9547</u>	<u>\$ 31.50243</u>
Ratio of Linn-Mar Community School District to Total		<u>46.71%</u>	<u>46.50%</u>	<u>51.59%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
1996	1998-1999*			
	County	\$ 5.3811	\$ 5.3811	\$ 5.3811
	Schools	16.25259	16.25259	16.25259
	City	12.32432	12.46129	9.00902
	Miscellaneous	0.84003	0.85972	0.85972
	Total Levy	<u>\$ 34.79804</u>	<u>\$ 34.9547</u>	<u>\$ 31.50243</u>
Ratio of Linn-Mar Community School District to Total		<u>46.71%</u>	<u>46.50%</u>	<u>51.59%</u>
1995	1997-1998*			
	County	\$ 5.61839	\$ 5.61839	\$ 5.61839
	Schools	16.05941	16.05941	16.05941
	City	12.07416	13.16082	8.96845
	Miscellaneous	0.92556	0.9223	0.9223
	Total Levy	<u>\$ 34.67752</u>	<u>\$ 35.76092</u>	<u>\$ 31.56855</u>
Ratio of Linn-Mar Community School District to Total		<u>46.31%</u>	<u>44.91%</u>	<u>50.87%</u>
1994	1996-1997*			
	County	\$ 5.94563	\$ 5.94563	\$ 5.94563
	Schools	14.31511	14.31511	14.31511
	City	12.07417	13.10005	8.8193
	Miscellaneous	0.86018	0.91861	0.91861
	Total Levy	<u>\$ 33.19509</u>	<u>\$ 34.2794</u>	<u>\$ 29.99865</u>
Ratio of Linn-Mar Community School District to Total		<u>43.12%</u>	<u>41.76%</u>	<u>47.72%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
1993	1995-1996*			
	County	\$ 6.13757	\$ 6.13757	\$ 6.13757
	Schools	14.42720	14.42720	14.42720
	City	12.09999	12.95790	7.66786
	Miscellaneous	0.89658	0.93372	0.93372
	Total Levy	\$ <u>33.56134</u>	\$ <u>34.45639</u>	\$ <u>29.16635</u>
Ratio of Linn-Mar Community School District to Total		<u>42.99%</u>	<u>41.87%</u>	<u>49.47%</u>

* = Tax rates expressed in dollars per \$1,000 assessed valuation.

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND GENERAL BONDED DEBT PER CAPITA AND PER STUDENT
Last Ten Fiscal Years
(Unaudited)

<u>Year of Collection</u>	<u>Population</u>	<u>Average Daily Membership</u>	<u>Assessed Values of Property</u>	<u>General Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>
2003-04	26,294	4,912	\$ 1,114,121,675	\$ 37,080,000	3.33 %
2002-03	26,294	4,708	1,065,299,438	38,955,000	3.66
2001-02	26,294	4,568	1,001,719,251	40,730,000	4.07
2000-01	26,294	4,119	924,949,785	40,430,000	4.37
1999-00	20,422	4,465	900,363,166	31,770,000	3.53
1998-99	20,422	4,337	838,988,568	33,005,000	3.93
1997-98	20,422	4,318	761,454,400	33,670,000	4.42
1996-97	20,422	4,174	724,391,979	16,419,500	2.27
1995-96	20,422	4,025	677,964,830	9,540,000	1.41
1994-95	20,422	3,855	652,713,621	9,905,000	1.52

Source: Linn County Auditor
School District Financial & Enrollment Records

	<u>Bonded Debt Per Capita</u>		<u>Bonded Debt Per Student</u>
\$	1,410	\$	7,549
	1,482		8,274
	1,549		8,916
	1,538		9,815
	1,556		7,115
	1,616		7,610
	1,649		7,798
	804		3,934
	467		2,370
	485		2,569

LINN-MAR COMMUNITY SCHOOL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years
(Unaudited)

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Total Assessed Valuation	\$ <u>1,114,121,675</u>	\$ <u>1,065,299,438</u>	\$ <u>1,001,719,251</u>	\$ <u>924,949,785</u>	\$ <u>900,363,166</u>
Bonded Debit Limit *					
5% of assessed valuation	55,706,084	53,264,972	50,085,963	46,247,489	45,018,158
Bonded Debit at end of fiscal year	<u>37,080,000</u>	<u>38,955,000</u>	<u>40,730,000</u>	<u>40,430,000</u>	<u>31,770,000</u>
Debt Margin at end of fiscal year	\$ <u>18,626,084</u>	\$ <u>14,309,972</u>	\$ <u>9,355,963</u>	\$ <u>5,817,489</u>	\$ <u>13,248,158</u>

* = Code of Iowa Section 296.1

Source: Linn County Auditor
School District Financial Records

<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
\$ <u>838,988,568</u>	\$ <u>761,454,400</u>	\$ <u>724,391,979</u>	\$ <u>677,964,830</u>	\$ <u>652,713,621</u>
41,949,428	38,072,720	36,219,599	33,898,242	32,635,681
<u>33,005,000</u>	<u>33,670,000</u>	<u>16,419,500</u>	<u>9,540,000</u>	<u>9,905,000</u>
\$ <u>8,944,428</u>	\$ <u>4,402,720</u>	\$ <u>19,800,099</u>	\$ <u>24,358,242</u>	\$ <u>22,730,681</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2004
(Unaudited)

	Gross General Obligation Debt <u>Outstanding</u>	Percentage Applicable to Linn-Mar Community School District	Linn-Mar Community School District <u>Share of Debt</u>
Direct:			
Linn-Mar Community School District	\$ 37,080,000	100.00	\$ 37,080,000
Overlapping:			
City of Cedar Rapids	69,461,328	10.62	7,376,793
City of Marion	11,240,000	60.97	6,853,028
City of Robbins	3,725,000	24.10	897,725
Kirkwood Community College	16,140,000	7.32	1,181,448
Linn County	<u>5,510,000</u>	15.29	<u>842,479</u>
Total overlapping	<u>106,076,328</u>		<u>17,151,473</u>
Total Direct and Overlapping Debt	\$ <u><u>143,156,328</u></u>		\$ <u><u>54,231,473</u></u>

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest and Fiscal Charge	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Fund Expenditures
2003-04	\$ 1,875,000	\$ 1,792,285	\$ 3,667,285	\$ 36,324,410	10.10 %
2002-03	1,775,000	1,862,159	3,637,159	33,381,360	10.90
2001-02	1,700,000	1,893,431	3,593,431	31,857,402	11.28
2000-01	1,340,000	1,474,148	2,814,148	30,286,021	9.29
1999-00	1,235,000	1,534,047	2,769,047	27,918,985	9.92
1998-99	1,260,000	1,539,273	2,799,273	24,791,487	11.29
1997-98	1,179,500	1,200,501	2,380,001	22,720,767	10.48
1996-97	630,000	541,920	1,171,920	21,345,073	5.49
1995-96	455,000	559,045	1,014,045	19,893,442	5.10
1994-95	355,000	577,961	932,961	17,028,756	5.48

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

MISCELLANEOUS DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years
(Unaudited)

Calendar Year	Linn County Resident Civilian Labor Force	Resident Total Employment	Cedar Rapids Retail Sales (In Millions)	Marion Retail Sales (In Millions)	Linn-County Unemployment Rate	State Unemployment Rate
2003	117,700	112,500	2,328.2	252.2	4.4 %	4.3 %
2002	118,500	111,600	2,292.9	253.6	4.4	3.7
2001	117,400	113,100	2,229.5	237.9	2.9	3.0
2000	117,200	111,500	2,219.7	242.5	1.8	2.3
1999	112,900	110,500	2,168.0	234.1	2.0	2.5
1998	110,600	108,500	2,059.5	222.7	1.9	2.6
1997	108,900	105,700	1,899.7	213.9	2.6	3.3
1996	109,100	105,900	1,901.6	201.4	2.9	3.8
1995	107,000	104,000	1,780.2	190.2	2.8	3.5
1994	105,900	102,700	1,652.8	175.4	3.1	3.7

Source: Cedar Rapids and Marion Chamber of Commerce
Iowa Department of Employment Services

LINN-MAR COMMUNITY SCHOOL DISTRICT
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Insured Property Value	Expenditures for Construction	Bank Deposit*
2004	\$ 61,678,981	\$ 2,320,801	\$ 470,381.72
2003	58,546,915	11,594,240	791,857.47
2002	57,969,762	2,561,809	1,651,617.31
2001	56,778,402	1,332,308	1,463,656.65
2000	43,859,886	8,041,821	553,626.92
1999	41,130,810	16,000,362	1,695,619.55
1998	40,108,410	2,666,221	1,507,600.05
1997	33,622,470	235,966	3,559,422.61
1996	37,594,305	656,949	3,051,045.84
1995	Unavailable	6,021,796	2,242,921.06

* = School district's General Fund and Management Fund
bank deposit at June 30.

Source: Bouslog Insurance, Inc.
District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

PRINCIPAL TAXPAYERS

June 30, 2004
(Unaudited)

Taxpayer	Type of Business	2003 Assessed Value 1/1/2003 Valuation	Percentage of Total Assesed Valuation*
Rockwell Collins Inc	Aviation Electronics Manufacturer	\$ 44,426,811	2.37 %
SDG Macerich Properties	Real Estate Developer	33,518,562	1.79
Developers Diversified	Real Estate Developer	12,315,628	0.66
Davis Realty	Real Estate Developer	10,409,937	0.56
Hammons John Q Hotels	Hotel	9,675,466	0.52
Landmark Development Corp	Real Estate Developer	9,237,248	0.49
Target Corporation	Retail Store	8,419,751	0.45
Nash Finch Co	Food Wholesaler	7,043,152	0.38
Qwest	Telephone & Internet Service Provider	5,973,760	0.32
Midwest Centers	Retail Store	<u>5,862,506</u>	0.31
Total		\$ <u><u>146,882,821</u></u>	

* = 2003 Total District Assessed Valuation is \$1,871,503,170

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT
NEW COMMERCIAL AND INDUSTRIAL BUILDING PERMITS

Last Ten Years
(Unaudited)

Year	City of Cedar Rapids New Commercial		City of Marion New Commercial	
	# of Permits	Valuation	# of Permits	Valuation
2003	43	\$ 15,849,336	9	\$ 1,888,957
2002	41	17,987,403	7	1,198,331
2001	45	24,095,638	2	317,117
2000	56	42,126,701	12	3,360,064
1999	37	22,946,051	15	5,790,886
1998	46	33,084,726	5	1,701,162
1997	53	25,751,798	11	1,354,963
1996	52	25,249,976	16	2,134,914
1995	56	24,512,498	10	3,555,771
1994	48	17,950,768	9	5,757,413

Year	City of Cedar Rapids New Industrial		City of Marion New Industrial	
	# of Permits	Valuation	# of Permits	Valuation
2003	3	\$ 170,000	1	\$ 114,840
2002	1	225,000	1	1,877,468
2001	1	45,000	-	-
2000	6	450,454	-	-
1999	6	1,683,505	-	-
1998	12	4,225,110	1	322,560
1997	4	914,702	-	-
1996	8	413,860	-	-
1995	29	30,561,535	5	1,630,608
1994	17	15,260,100	10	2,198,883

Source: City of Cedar Rapids Building Department
City of Marion

LINN-MAR COMMUNITY SCHOOL DISTRICT
NEW SINGLE AND MULTI FAMILY DWELLING

Last Ten Years
(Unaudited)

Year	City of Cedar Rapids Single-Family		City of Marion Single-Family	
	# of Permits	Valuation	# of Permits	Valuation
2003	378	\$ 37,635,431	253	\$ 26,452,966
2002	370	37,741,513	227	23,370,869
2001	374	35,989,687	189	18,701,530
2000	327	40,942,580	180	14,832,690
1999	358	34,952,684	205	17,690,985
1998	390	37,218,609	184	15,802,574
1997	331	32,804,827	128	11,303,799
1996	322	28,638,757	160	12,988,080
1995	271	21,536,003	119	9,106,890
1994	354	30,326,126	165	13,364,984

Year	City of Cedar Rapids Multi-Family		City of Marion Multi-Family	
	# of Permits	Valuation	# of Permits	Valuation
2003	37 (n/a)	\$ 7,650,440	39 (n/a)	\$ 17,736,558
2002	19 (n/a)	15,644,822	47 (n/a)	17,875,071
2001	19 (n/a)	5,674,602	34 (n/a)	8,279,526
2000	75 (n/a)	23,970,471	42 (n/a)	8,931,257
1999	82 (n/a)	19,991,106	56 (n/a)	12,857,973
1998	37 (n/a)	8,058,898	35 (153)	11,109,526
1997	25 (n/a)	12,372,567	19 (n/a)	4,249,933
1996	33 (n/a)	9,128,052	27 (82)	4,664,402
1995	78 (n/a)	13,713,252	12 (53)	2,754,826
1994	48 (343)	12,638,742	13 (56)	2,928,149

Source: City of Cedar Rapids Building Department
City of Marion

LINN-MAR COMMUNITY SCHOOL DISTRICT

OPERATING COST PER PUPIL

Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Total Costs*</u>	<u>Average Daily Attendance</u>	<u>Operating Costs Per Pupil</u>
2003-2004	\$ 36,324,410	4,702	\$ 7,725
2002-2003	33,381,360	4,509	7,403
2001-2002	31,857,402	4,392	7,254
2000-2001	30,286,021	3,946	7,675
1999-2000	27,918,985	4,294	6,502
1998-1999	24,791,487	4,145	5,981
1997-1998	22,720,767	4,132	5,499
1996-1997	21,345,073	3,995	5,343
1995-1996	19,893,442	3,842	5,178
1994-1995	17,028,756	3,678	4,630

* Includes all General Fund Expenditures

Source: School District Financial and Attendance Reports

LINN-MAR COMMUNITY SCHOOL DISTRICT

FINANCIAL SOLVENCY RATIO

Last Ten Fiscal Years
(Unaudited)

School Year	Unreserved, Undesignated General Fund Balance	Actual Revenues	Financial Solvency Ratio
2003-2004	\$ 2,364,453	\$ 35,083,588	6.74 %
2002-2003	3,801,967	34,094,293	11.15
2001-2002	3,010,114	31,288,466	9.62
2000-2001	3,356,452	30,428,942	11.03
1999-2000	3,160,473	28,584,916	11.06
1998-1999	2,628,355	26,092,018	10.10
1997-1998	1,314,714	24,300,821	5.41
1996-1997	100,152	22,322,025	0.45
1995-1996	(606,915)	19,238,032	(3.15)
1994-1995	(462,709)	17,415,425	(2.66)

* Financial Solvency Ratio = $\frac{\text{Undesignated, Unreserved General Fund Balance}}{\text{Actual Revenues}}$

The financial solvency ratio measures movement and distribution of current assets. The financial solvency ratio represents a school district's year end position after payment of all current and outstanding or accrued liabilities.

Ranges utilized are:

Targeted Solvency Position:

Financial Solvency Ratio ranging from 5% to 10% of actual revenues. A school district is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations.

Acceptable Solvency Position:

Financial Solvency Ratio ranging from 0% to 4.99% of actual revenues. Fund balance is considered adequate for short-term purposes as long as other local economic trends, such as property tax collections and enrollment are sound.

Solvency Alert:

A solvency alert exists if the school corporation has a negative solvency ratio up to -3.0% of actual revenues. A negative solvency position in this range warrants prompt management response but could be caused by operating revenue/expenditure fluctuations within one budget year.

Solvency Concern:

A solvency concern exists if the school corporation has a negative solvency ratio in excess of -3.0% of actual revenues.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY MEMBERSHIP (ADM),
AVERAGE DAILY ATTENDANCE (ADA) AND RATIO OF ADA TO ADM
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Average</u> <u>Daily</u> <u>Membership</u> <u>(ADM)</u>	<u>Average</u> <u>Daily</u> <u>Attendance</u> <u>(ADA)</u>	<u>Ratio of</u> <u>ADA to ADM</u>
2004	4,912	4,702	95.72 %
2003	4,708	4,509	95.77
2002	4,568	4,392	96.15
2001	4,119	3,946	95.80
2000	4,465	4,294	96.17
1999	4,337	4,145	95.57
1998	4,318	4,132	95.69
1997	4,174	3,995	95.71
1996	4,025	3,842	95.45
1995	3,855	3,678	95.41

Source: District Enrollment Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

OPEN ENROLLED STUDENTS

Last Ten Fiscal Years
(Unaudited)

<u>School Year</u>	<u>Open Enrollment In</u>	<u>Open Enrollment Out</u>	<u>Net Gain (Loss)</u>
2004	135	490	(355)
2003	128	470	(342)
2002	139	459	(320)
2001	170	446	(276)
2000	167	385	(218)
1999	174	334	(160)
1998	206	311	(105)
1997	187	288	(101)
1996	163	213	(50)
1995	164	175	(11)

Source: Certified Enrollment

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES BY FUND
PER \$1,000 ASSESSED VALUATION
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ending June 30,	General	Management	Board PPEL	Playground	Voted PPEL	Debt Service	Total
2004	\$ 12.17075	\$ 0.45000	\$ 0.33000	\$ 0.13500	\$ 0.67000	\$ 3.15062	\$ 16.90637
2003	12.35356	0.30770	0.33000	0.13500	0.67000	3.13197	16.92823
2002	11.52442	0.25513	0.33000	0.13500	0.67000	3.61069	16.52524
2001	11.54795	0.27244	0.33000	0.13500	0.67000	2.97486	15.93025
2000	11.76571	0.27922	0.33000	0.13500	0.67000	3.07265	16.25258
1999	11.47932	0.29942	0.33000	0.13500	0.67000	3.33885	16.25259
1998	11.89448	0.32993	0.33000	0.13500	0.67000	2.70000	16.05941
1997	11.63306	0.27742	0.33000	0.13500	0.67000	1.26963	14.31511
1996	11.63230	0.29693	0.33000	0.13500	0.67000	1.36297	14.42720
1995	11.38238	0.35719	0.33000	0.13500	0.67500	1.42920	14.30877

Source: School District Financial Records

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Internal Controls and Compliance Section



LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Agriculture:			
Secondary Agriculture Education Grants	10.226	FY 03	\$ <u>751</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 04	<u>80,716</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 04	34,646
National School Lunch Program	10.555	FY 04	<u>255,193</u>
			<u>289,839</u>
			<u>370,555</u>
Department of Homeland Security:			
Iowa Department of Public Defense:			
Public Assistance Grants	97.036	DR1420-IA	<u>153,740</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3715-G-03	1,160
Title 1 Grants to Local Educational Agencies	84.010	3715-GC-04	16,562
Title 1 Grants to Local Educational Agencies	84.010	3715-G-04	<u>111,397</u>
			<u>129,119</u>
Innovative Education Program Strategies	84.298	FY 03	2,873
Innovative Education Program Strategies	84.298	FY 04	<u>16,718</u>
			<u>19,591</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 04	<u>10,227</u>
Improving Teacher Quality State Grants	84.367	FY 04	<u>77,940</u>
Funds for the Improvement of Education	84.215	FY 03	<u>475,000</u>
Special Education - State Program Improvement Grants			
for Children with Disabilities	84.323	FY 04	<u>6,519</u>
Vocational Education - Basic Grants to States	84.048	FY 04	<u>47,772</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Grants for State Assessments and Related Activities	84.369	FY 03	\$ 23,415
Grants for State Assessments and Related Activities	84.369	FY 04	3,829
			<u>27,244</u>
Iowa Public Television:			
Fund for the Improvement of Education	84.215	FY 04	<u>26,021</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 04	190,463
			<u>1,009,896</u>
U. S. Department of Health and Human Services:			
Linn County Department of Human Services:			
Medical Assistance Program	93.778	FY 03	6,033
Total indirect			<u>1,540,224</u>
Total			<u>\$ 1,540,975</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Linn-Mar Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Linn-Mar Community School District:

We have audited the financial statements of Linn-Mar Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 21, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Linn-Mar Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Linn-Mar Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item IV-B-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Linn-Mar Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit. Prior year reportable conditions have been resolved except for items II-A-04 and II-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Linn-Mar Community School District and other parties to whom Linn-Mar Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Linn-Mar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 21, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education of
Linn-Mar Community School District:

Compliance

We have audited the compliance of Linn-Mar Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Linn-Mar Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Linn-Mar Community School District's management. Our responsibility is to express an opinion on Linn-Mar Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Linn-Mar Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Linn-Mar Community School District's compliance with those requirements.

In our opinion, Linn-Mar Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Linn-Mar Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Linn-Mar Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Linn-Mar Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Linn-Mar Community School District and other parties to whom Linn-Mar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
September 21, 2004

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 – Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Linn-Mar Community School District qualified as a low-risk auditee.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-04 Financial Condition – The District’s Special Revenue Fund, Management Levy had an unreserved, undesignated deficit balance of \$65,838 at June 30, 2004. In addition, the District had several accounts in the Student Activity Account with deficit balances at June 30, 2004.

Recommendation – The District should investigate alternatives to return these funds to healthy financial conditions. The District should review purchase approval procedures for the Student Activity Account and may wish to require additional approval before ordering goods or services from these accounts. Disbursements which satisfy the General Fund purpose requirements should be budgeted and paid for directly from the General Fund.

Response – We will investigate alternatives and we will monitor the Student Activity accounts to try to keep improving on these deficit balances.

Conclusion – Response accepted.

- II-B-04 Football Gate Admissions - The football gate admissions and change box are not always reconciled with prenumbered tickets. Gate keepers at times reconcile total money collected to the gate price and then pull the matching number of tickets.

Recommendation – The District should establish reconciliation procedures for football gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We have procedures in place and are working toward greater compliance with these procedures.

Conclusion – Response accepted.

- II-C-04 Unsupported Disbursements – We noted two disbursements made by the District without proper or full supporting invoices, receipts, and other substantiating documentation.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements since not all of the supporting documentation was available for the Board to examine and support their authorization for payment. All future disbursements should be properly and fully supported by the proper documentation.

Response – We will review and implement this recommendation. We will maintain the proper support for all future disbursements.

Conclusion – Response accepted.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget – Expenditures for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs functional area.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – We will amend our budget before expenditures exceed the budget.
- Conclusion – Response accepted.
- IV-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-04 Certified Annual Report – The Certified Annual Report was timely filed with the Department of Education. However, we noted significant differences in the amounts reported.
- Recommendation – Since none of the differences noted affect the District’s spending authority, all adjustments should be made in the 2005 fiscal year as net auditor’s adjustments to the beginning balances of the funds affected.
- Response – We are aware of the differences as noted and will make the proper adjustments to the financial records as required.
- Conclusion – Response accepted.

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